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AUTHOR Gonzales, Kathleen; Bogotch, Ira
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ABSTRACT

This study describes the managing of discretionary, school-generated monies by high school principals.. Principals (N=1303) in large, public high schools were asked about the policies and practices pertaining to the fiscal management of discretionary funds, like business partnerships, student activities, athletics, concessions, fundraising, and other funds that make up the "hidden economy" in public schools. The principals filled out a 76-item survey that explored their money-management skills, how confident they were in handling money, how much nondedicated monies actually passed through their schools every year, and what external factors influenced their practices of money management. Results show that almost half of the principals spent between 6-10 percent of their time on money management, with 90 percent having bookkeepers. Some 86 percent were authorized to sign checks; 99 percent had a role in purchasing; and 79 percent could enter into a contract with a vendor for goods and services. Findings also show that collaborative decision making with teachers and school-based management are important components in handling money. Principals in large districts were more affected by educational trends and were less likely to be compliant to hierarchical authority. (Contains 10 references.) (RJM)

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High School Principals and Money Management

AKA: "Managing discretionary school funds: Fiscal practices of high school principals"

Kathleen Gonzales
St. Bernard Parish Public Schools, LA
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Ira Bogotch
University of New Orleans

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I. Bogotch

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There are two truisms regarding this study: the first is that money is a sensitive topic, especially the handling of public monies. We know this by newspaper headlines. Every year, it seems as if some school administrators are alleged to have mismanaged or misappropriated their schools' funds, necessitating legal or personnel actions. The results are always devastating to the administrators' careers as well as to the reputation of public schools for all monies are viewed as part of the public's trust. The second truism is that regardless of the time and attention given to money matters, all principals are vulnerable. We make the assumption that all principals are honest; we do not make the naive assumption that all principals know how to handle money. With so many other pressures on school principals to perform as educational leaders–in every sense of the term–money management is just one more reality principals must shoulder.

This study describes the dynamic practices of an underregulated and underdiscussed topic: the managing of discretionary, school-generated monies. All high school principals manage million dollar budgets. Anywhere from 80 to 90 percent of that money, however, is dedicated directly to salaries, textbooks, categorical programs, and capital improvements. There are federal, state, and district policies and guidelines governing these monies. The money management responsibilities of principals here are chiefly ministerial with little or no discretion when it comes to allocating and spending these monies. The focus of this study is different. We asked high school principals questions about the policies and practices pertaining to the fiscal management of discretionary funds [e.g., business partnerships, student activities, athletics, concessions, fundraising, etc.]–monies which make up the "hidden economy" in public schools.

Description of the Study

With support from the NASSP central office, 1,303 principals of large public high schools from around the country generously shared with us information regarding where and how they learned about money management, how confident they were in handling money, how much non-dedicated monies actually passed through their schools every year, and, what external factors influenced their practices of money management. We compiled this information from a survey instrument developed especially for this study. We selected this group of principals because they potentially handled the largest amounts of discretionary, school-generated money.

Specifically, our sample of principals were members of the National Association of Secondary School Principals (NASSP) who worked in public high schools having over 1,000 students. We mailed out 2,469 surveys. Of the 3,991 such schools nation wide (Quality

EA 029 569

Education Data counts, 1996), we received 1,303 responses, representing 33 percent of all large public high schools. Our actual return rate was 53 percent.

The 1,303 high school principal respondents completed a 76 item survey which was divided into four sections: items 1-27 asked for demographic information about the principals, their schools, and district; items 28-48 addressed the adequacy of principalship preparation--both pre- and in-service; items 49-56 pertained to principals' knowledge of school finance; and items 57-76 asked principals to respond to specific scenarios in order to see what influenced their decision-making. All of 76 survey items were calculated descriptively, using frequencies, percentages and means (Gonzales, 1997). Although the study was designed to provide descriptive information about current practices, the underlying research question sought to connect all of the survey items as follows: how do individual backgrounds of principals, characteristics of schools and districts, preparation in finance, and principal knowledge influence the manner in which principals frame school budgeting and discretionary spending decisions? Ultimately, we wanted to know what effects, if any, these job policies and practices had on fiscal responsibilities and decision-making.

Let's be clear about the parameters of this study. Our purpose was to study high school principals' knowledge and practices of discretionary money management. We did not address larger, socio-economic issues which indicate widespread inequities in funding and spending across schools and districts (Coyle, 1994). We know from studies on school tax reforms that the same amount of schoolwide [or district or state] effort yields differential results depending upon the wealth of taxpayers. The same dynamic holds true for fundraising and for most other discretionary funding issues. Although we held this "fairness" issue aside, we have to be aware that it affects principals' decisions in terms of financial rewards and pressures.

Money creates different pressures for those who have it and for those who do not. Thus, another delimitation of this study is that we did not go into the realm of psychology and talk about job stress and its possible relationship to fiscal mismanagement. This is not to say that stress is not related to learning and behaviors. It is. Even when the task of money management is delegated [77 percent of high school principals delegated this task and 90 percent of the principals in this study worked with bookkeepers], principals still remained responsible--legally and morally. Thus, the issue of money management weighs heavily upon all principals, especially upon high school principals with large student enrollments. Again, our purpose was to learn how in-school practices were influenced by policies, job descriptions, current educational reforms, decision-making practices, and professional learning. We wanted to know and write the story of fiscal management before reading about it in the newspapers.

Questions and concerns:

Before we summarize the high school principals' responses and offer our suggestions, we want to raise a number of concerns and contradictions surrounding the topic. Our first observation is that in a parallel business setting, it would not be uncommon to hire individuals

with finance and accounting backgrounds to oversee the amounts of money a typical high school principal must handle. While some school districts are already moving towards strict auditing procedures and the hiring of administrators with business backgrounds and CPA degrees, more typical, we believe, are school systems that place fiscal responsibilities onto principals and central office administrators possessing minimal training and knowledge of budget and financing systems. In a study of 167 beginning principals, Anderson (1991) captured a frightening reality:

> When it came time to do budgeting, I opened that sucker up [the budget printout] and I looked at all that stuff. It was like Greek. I didn't have a clue, not a clue as to where to start. You talk about codes. It is written in code, and I had to take a great deal of time just to learn how to decipher it (pp. 53-54).

Both researchers and practitioners agree on how principals learn school budgeting and handling discretionary, school-generated funds. Namely, it is through on-the-job experiences. Those influencing principals may be central office administrators through district policy interpretations, more experienced and successful colleagues, or reliance upon outside finance experts. Yet we question the wisdom of continuing this kind of learning in a leadership role that is continually changing (Donaldson, 1991; Osterman & Kottkamp, 1993). "What emerges from practice and research is paradoxical: principals' most valuable source of learning is their on-the-job experience; yet the reality of that experience is seriously limited as a vehicle for learning (Schainker & Roberts, 1987, p. 31). Given current educational trends towards school-based budgeting and management [i.e., increasing principals' responsibilities], the paradox is only increasing. Can principals go outside of their current practices and beyond current knowledge in this sensitive domain? In a separate study focusing on in-school personnel practices and educational reforms, the authors concluded that principals possessed a "practitioner knowledge" that did indeed go beyond what their schools and school systems were actually doing (Bogotch, Gahr, & Rougelot, 1996). Although the data in the fiscal study indicated that few principals went beyond past practices and state laws, we still want to hold out the possibilities that some principals do understand and can act differently.

We understand that all principals must respond to legal guidelines and to the priorities of their school districts. The result is that for some principals there may be district level incentives or rewards for underspending, such as carrying money over to the next school year, or perhaps putting money aside for a multi-year equipment purchase (Lausberg, 1990) . For others, however, the reality is that without substantial discretionary funds, many ongoing practices, let alone needed reforms, cannot continue. Thus, we recognize that everyone's situation is different. It is with that understanding that we present our statistical findings.

High School Principal Sample

Our attempt was to look at discretionary, school-generated money management in the likeliest locations: large public high schools. The last nationwide demographic study we could find was one conducted in 1987 and published by NASSP in 1988 by Pellicer, Anderson, Keefe,

Kelly, and McCleary. It was not our purpose to provide a comparative analysis–but we do think that interested readers may want to do so at another time. In our sample we found significant gender differences: 988 high school principals were males; 264 were females [47 principals chose not to answer this question]. With respect to race and gender, 874 high school principals were White males; 203 were White females; 66 were African-American males; 34 were African-American females. Forty-eight percent of our respondents were between the ages of 50 and 59. Only 4 percent were older than 60.

We asked principals to categorize their schools as urban, suburban, and rural: 56 percent said they were working in suburban schools; 31 percent said urban schools; and 14 said rural [figures were rounded off to the nearest whole number]. The majority of the school districts were on the small size: 770 (59%) under 20,000 students; 386 (30%) were between 20,000 and 100,000. The remaining 11 percent worked in districts with over 100,000 students.

Managing School Funds

District policies provide the framework within which all principals work. Most high school principals [1,202; 85%] reported that their districts had policies on spending and generating monies. The responsibilities of budget and discretionary spending were included in 93 percent [n=1,202] of all the principals' written job descriptions

Almost half the high school principals reported they spent between 6-10% of their time on money management, with 90 percent having bookkeepers. As stated previously, 77 percent told us that they delegated money management tasks. Eighty-nine percent of the principals indicated that computer software was used to maintain school financial records.

Most high school principals (86%) were authorized by their central offices to sign checks at their schools. Approximately half indicated that assistant principals and/or bookkeepers were also authorized to sign checks. Twenty-five percent of the principals mentioned another individual including central office personnel, a school-level treasurer, office manager, athletic director, department chair, etc. Ninety-nine percent had a role in purchasing while somewhat fewer, 79 percent of the principals could enter into a contract with a vendor for goods and services.

Annual deposits

In Table 1, high school principals indicated the amounts of money annually deposited into their school accounts. The highest percentage of annual school deposits were between $100,000 and $300,000.

Table 1

Annual deposits in school account

Annual Deposits	Number	Percent
Over $1,000,000	40	3.2%
$500,000 - $1,000,000	96	7.7%
$300,000 - $500,000	181	14.5%
$100,000 - $300,000	511	40.8%
Less than $100,000	424	33.9%
	n=1,252	

We also found that within high schools generating between $300,000 to over $1,000,000, as their student enrollment increased, so, too, did the dollar amounts. Enrollment seemed to be less of a factor in high schools generating less than $300,000. While student enrollment has to be considered one factor in how much money a school generates, another significant factor is the ability of high schools to carry over funds from one year to the next. Ninety-two percent of the high schools in our sample could carry over funds. Table 2 presents a crosstab analysis between carry funds and annual deposits. The crosstab indicated that schools which carry over funds had higher annual deposits than schools that cannot carry over funds. We can only speculate whether such a policy serves as an incentive for schools to generate more money. What we do know is that of the 92% of H.S. principals who can carry over school generated funds, 69% have the authority to invest these funds in interest bearing accounts.

Trends in educational governance and finance

We hypothesized that a number of educational reforms may be influencing how high school principals handled their discretionary budgets. We identified a range of issues pertaining to school finance such as school-based management, fund-raising, and business partnerships. We asked high school principals directly whether they were experiencing these trends and how their practices were affected. Seventy-three percent of the high school principals indicated that their schools have been moving towards school-based management over the last couple of years. With respect to fund-raising, principals responded that their involvement over the last couple of years did not increase. They did tell us, however, that for 17 percent of schools, their most

Table 2

Can schools carry over school generated funds/Annual deposits

	<$100K	$100-300K	$300-500K	$500K-1m	Over 1m	
yes	n=362	n=479	n=172	n=91	n=39	n=1,143
	32%	42%	15%	8%	3%	
no	n=57	n=31	n=8	n=5	n=1	n=102
	56%	30%	8%	5%	1%	

successful fund raisers generated over $20,000; 6 percent generated between $15,000 and $20,000; 13 percent generated between $10,000 and $15,000, and almost half said their most successful fund-raisers generated between four and ten thousand dollars. As for business partnerships, 65 percent said they had one or more--leaving a somewhat surprising figure of 35 percent without business partners.

Sources of learning

High school principals were asked on the survey to rank their sources for learning business management and spending of discretionary funds. We presented them with a list of four choices. Principals were asked to respond from 1-strongly disagree to 4-strongly agree. The highest mean score went to "other principals and colleagues" as having the greatest influence on learning. While the survey did not specifically state on-the-job learning, this response is certainly consistent with other research findings cited above. Interestingly, collaboration with teachers ranked second. This response, too, is consistent with the trend towards school based management. We calculated using a crosstab analysis this trend and collaboration, and found that 1,286 high school principals answered positively on both survey items. This is a strong indication that collaborative decision making with teachers and SBM are not only logically interconnected, but has entered into the actual world of practice for most high school principals. (See Table 3)

Of the five lowest ranking sources of learning, the reform effort towards a national principalship certification was ranked last, suggesting that public discussions at the national and state levels do not directly affect principals' learning or current practices. The next lowest source

Table 3

Sources of Learning

Rank Ordered By Means	Means	S.D.
Other principals or colleagues	2.95	.68
Collaborative decision making with teachers	2.81	.75
Assistant principalship experience	2.76	.89
My professional reading	2.65	.73
Site-based management	2.65	.83
Inservice provided by my school district	2.55	.80
My university certification program	2.39	.84
Outside workshops	2.38	.76
Membership in a professional association	2.27	.79
Textbooks in school business management	2.14	.74
A district mentorship program	1.99	.76
State department of education sponsored programs	1.97	.73
A university internship	1.93	.74
The strengthening move toward national certification in educational administration	1.79	.62

of learning was university internships, which recently has become part of most higher education reforms in principalship preparation programs. Most likely this reform is still in its infancy or when current administrators took an internship, it had not been implemented wisely--if at all. Higher education continues to experiment with various internship models. However, the most commonsense explanation for its low ranking applies to all pre-service programs and courses, that is, there is an unpredictable time lag between pre-service and in-service for most aspiring administrators. Pre-service education and administrator job selection are very loosely coupled.

We also asked high school principals to tell us about their gaps in knowledge. Using the same Likert scale described above, only two knowledge areas received negative scores, i.e., mean scores lower than a 3 [agree]. A mean score of 2.43 was recorded for knowledge of "investing school funds" and 2.87 measured "reconciling a bank statement for the school." The first item response is truly significant in light of the high percentage of principals (92%) who, by district policy or state law, can carry over funds. Principals' lack of knowledge of investments--whether bank certificates or other safe investment vehicles is cause for concern. Likewise, not having sufficient knowledge of how to reconcile school bank statements raises a concern with respect to public trust and accountability issues. While these two areas should be reviewed by every school district, we were somewhat surprised that only 97 principals (6%) admitted not feeling comfortable with money matters. We recognize that expressing discomfort [gaps in knowledge] is not something principals want to talk about openly. Therefore, we would urge school districts to create safe forums for learning--a prescription not limited to learning just about fiscal matters.

Decision making

In the last section of the survey, we wanted to test some of our hypotheses regarding practitioner knowledge (Bogotch, Gahr, & Rougelot, 1996) and current educational reform trends vis a vis principals' fiscal decision-making. We presented principals with four scenarios: budgeting procedures, concession sales; payment of athletic officials, and state bid laws. Following each scenario, we gave the principals 5 decision choices as follows: 1=follow past practices [i.e., status quo]; 2=follow state policies [i.e., compliance]; 3=utilize site based management teams; 4=request central office involvement; and 5=handle the situation on your own.

In every scenario, the principals' first choice was to comply with state policies. We looked to the second highest mean scores in order to see what other dynamics might influence principals' decisions. The principals' next strategies depended upon the content of the scenarios [i.e., it was contextual and situational]. We repeat, their second response choice might be to collaborate with site-team members or consult with a district level administrator. What did emerge was that the choice to "continue the status quo" was not perceived favorably by high school principals [i.e., the frequency distribution range for agree and strongly agree combined ranged from a low of 9 percent to a high of 43 percent for this response choice]. We are optimistic in viewing this to mean that regardless of knowledge or external influences, high

school principals know not to blindly follow past practices. But whether responses on a survey instrument truly reflect daily practices, we cannot say.

Underlying patterns and predictions

With such a large data set, it is not always possible to see patterns when items are analyzed one at a time descriptively. At the same time, we knew that our survey instrument was not sensitive enough to capture the many variations in practices from one high school principal to another. The best we could hope to do was to uncover some basic patterns and perhaps suggest some causal explanations for why principals follow a certain course of action or perspective. To do this, we calculated a more sophisticated set of statistics beginning with a factor analysis and proceeding to multivariate analyses of variance. The first procedure looked holistically at the survey data and grouped interrelated items into separate factors. We not only hoped to confirm some of our own beliefs about current reform trends, but also we were open to seeing new patterns emerge.

In the factor analysis, we included items 28 through 48 and items 57 through 76--a total of 41 items. We excluded items about "sufficient knowledge" because as we stated above, principals were reluctant to admit to knowledge gaps. The results indicated four distinct factors: (1) sources of learning, (2) site-based management, (3) increasing principal responsibilities, and (4) compliance with state and district policies [a fifth "statistically" significant factor was rejected because the items included did not make any sense to the authors]. We calculated reliability statistics for the four factors to be moderately strong [Alpha Coefficients ranged from .75 to .62]. What these factors tell us is that the dynamics surrounding high school principals as a group with respect to discretionary money management were varied, if not contradictory. We were satisfied that we could statistically confirm these dynamics.

The next step was to use the above four factors as dependent variables in a series of causal equations asking which demographics or money management items might influence high school principals: gender? Years of experience? School location and district size? Annual deposits and carryover funds? Spending and fundraising? While we found "statistically" significant results from our inferential tests, we caution readers not to take our finding too literally, but rather to think about these results more in terms of actual experiences on-the-job--even perhaps to view these findings as a motivation to learn more, act differently [from the norm] or as a warning that either your school or your district is not putting forth its best efforts in this area.

That stated, with respect gender, males used more sources of learning than did females, whereas females were influenced more by the different educational reform trends which put increased responsibilities onto principals. Likewise, with years of experience [over five years] came an increased awareness of these increasing principalship responsibilities. We specifically found that principals on-the-job between 6 and 10 years were most aware, resourceful, and influenced by reform changes. After 10 years of experience, that awareness is significantly

significantly reduced. District/school location also indicated significant results. That is, suburban and rural high school principals utilized more sources of learning than did urban high school principals. Our own experiences with larger school districts, typically urban, is that they do erect borders to not only buffer external criticisms, but also to develop practices contextually. In other words, they may not be as open to more traditional sources of learning as are suburban and rural districts. When district size is factored into the equation, however, we had a somewhat paradoxical finding; that is, high school principals in larger districts were more affected by educational trends and were less likely to be compliant to hierarchical authority. What comes to mind here is that in larger districts, high school principals can literally hide practices, "fly under the radar," and, at times, be more creatively insubordinate than their colleagues working in small [under 20,000 students] school districts.

With respect to school wealth, we found a positive relationship between more school wealth and the influence of educational reforms and a positive relationship between less school wealth and compliance to central authorities. Are wealth and reform connected? Do poverty and compliance go together? Frankly, we hope that there are principals challenging these underlying patterns everyday.

Putting the pieces together?

Even as we are writing up the results of this study, another school administrator, this time a respected school board member in a small town, is being led away in handcuffs by the police. His crime, the mismanagement of school board funds and bogus investments. Again, we cannot explain the psychological pressures or temptations in handling other peoples' monies. We do know that educational reform trends continue to increase for all school principals. There is a downward shift in power as states give more local control to districts and, in turn, districts to schools. But while the pressures mount, the time needed to continue learning is pushed aside. So, principals continue to look upwards towards the state and district for guidance and policies, structures which are not experiencing the same kinds of pressures, or which have the same immediate, contextual needs to educate the children sitting in front of them. The formal governmental apparatus are taken from one model [i.e., bureaucratic], while the realities of educating children occur inside of economic and socio-cultural dynamics and processes--in another model.

We have a dilemma. Principals are compliant; they follow orders, and rightly so. It is inappropriate for principals to be creative with other peoples' money. When it comes to school principals, aspiring Michael Milikens need not apply. But the dominant practice of following respected, more experienced colleagues is also inadequate. The problem is that these successful colleagues came up through ranks in a different era, or attained own status through their individual abilities to negotiate successfully within and around the system. As the dominant learning strategy, it is not sufficient/adequate for today or tomorrow. Therefore, the "best" principals [i.e., those most aware of educational reform changes] will have no choice but to go

beyond compliance. The issue is where does that path lead? Who would willingly put themselves at risk? There must be other futures.

We know that learning is not about developing and taking another university course, or a program. How do we arrive at a pool of aspiring administrators who can manage money wisely? At this level of educational understanding, the practices are different from what an auditor or a bookkeeper does. We need principals who can manage money wisely on behalf of educating children.

School generated funds are part of the overall school improvement/operational plan of the school, and therefore, involves all stakeholders of the school-community. We found evidence of this practice in principals' responses pertaining to collaboration with teachers. How far does this extend? How far should it extend? We hope this study contributed to the asking and answering of some basic questions.

We still need more practical research studies on the creative, entrepreneurial, and innovative practices of high school principals. When we discover them, we believe we will also find a school and district climate which is open to learning free from the rhetoric and threats of lawsuits and examples of individuals who broke the law and were punished. We wanted to bring this topic out in the open, and from the response rate of this national survey, there seems to be a genuine need and willingness for more information so that high school principals can become more competent and more comfortable with the hidden economy inside of their schools

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